

Revenue
New Issue

**Bay Area Toll Authority,
California**

Ratings

New Issues

San Francisco Bay Area Toll Bridge Revenue Bonds, 2006 Series A-1, A-2, B-1, B-2, C, and D-1 (Variable Rate)*	AA-
San Francisco Bay Area Toll Bridge Revenue Bonds, 2006 Series A-3, D-2, D-3, E-1, and E-2 (Auction Rate)*	AA-

Outstanding Debt

Revenue Bonds**	AA-
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Rating Outlook Stable

*All series are expected to carry bond insurance. The variable-rate bonds are expected to carry liquidity support in the form of a standby bond purchase agreement. **The 'AA-' is an underlying rating. The outstanding revenue bond debt is rated 'AAA' based on guaranties of scheduled debt service payment under an insurance policy with Ambac Assurance Corp., whose insurer financial strength is rated 'AAA' by Fitch Ratings.

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New Issue Details

\$1,000,000,000 San Francisco Bay Area Toll Bridge Revenue Bonds, consisting of 2006 Series A-1, A-2, B-1, B-2, C, and D-1 Bonds (Variable Rate) and 2006 Series A-3, D-2, D-3, E-1, and E-2 Bonds (Auction Rate), are scheduled to sell during the week of Feb. 6 through negotiation via a syndicate led by Stone & Youngberg, LLC.

Purpose: Bond proceeds will be used to finance and reimburse the costs of design and construction related to eligible projects.

January 30, 2006

■ Outlook

The Rating Outlook on the Bay Area Toll Authority's (BATA) revenue bonds is Stable. Despite the dramatic cost increases of the seismic retrofit program (SRP) and the Regional Measure One (RM1) programs, the critical nature of this seven-bridge system and long-term economic strength and viability of the San Francisco Bay area (the Bay area) continue to provide a basis for very strong investment-grade credit quality. While further cost increases and related political risk cannot be ruled out, management is in a better position to manage the credit profile. Seismic activity remains a key uncertainty with the expected 2013 completion of the east span of the San Francisco-Oakland Bay Bridge (SFOBB).

Coverage of debt service as calculated by Fitch Ratings, which incorporates all maintenance expenses, is expected to be low, between 1.6 times (x) and 1.8x for an 'AA-' rated facility. However, the economic strength, monopoly position, and management's proactive stance for solving problems largely mitigates this risk. To the extent that BATA's planned securitization of state funds does not materialize and additional parity bonds are issued, coverage could fall below acceptable 'AA-' levels.

■ Rating Considerations

The 'AA-' rating reflects the economic strength and near-monopoly position of the seven-bridge system that provides critical transportation links in the Bay area; a mature traffic base, which was relatively flat during the prolonged economic downturn; improved legal rate-making flexibility; and demonstrated low elasticity of demand. The rating also reflects BATA's strong debt service coverage, the substantial liquidity position, and the ability of this system of bridges to sustain the loss of one or more of its assets from catastrophic seismic activity. The rating also is based on the continued construction risk associated with the SRP and RM1 programs, the possibility of further leveraging of toll revenue beyond the nearly \$4.0 billion in anticipated issuance over the next four years, and the risk of expense growth of newly acquired operations and maintenance (O&M) and rehabilitation responsibilities exceeding the forecast.

BATA manages seven of the eight major crossings in the Bay area — the eighth is the Golden Gate Bridge (GGB), which is managed by a separate entity. These bridges provide the only viable vehicular links within the Bay area. Given the limited ability of rail and ferry systems to serve the diverse destinations within the area, these facilities are essential to sustained economic success.

■ Strengths

- System of seven bridges in the Bay area that provide critical transportation links.

- Mature facilities with relatively stable traffic.
- Demonstrated low elasticity of demand.
- Strong coverage and liquidity.
- Ability to sustain catastrophic loss.
- Management's proactive stance for solving problems.

■ Risks

- Revenue interruptions from seismic activity.
- Continued exposure to construction cost overruns for the SRP and RM1 program.
- Aggressive plan of finance assumptions that may require further leveraging of toll revenue.
- Cost growth in newly acquired O&M and rehabilitation costs.

■ Security Provisions

Security: The bonds are secured by a statutory lien on bridge toll revenues, subject only to O&M expenditures associated with toll collection and bridge lighting (category B O&M). Net toll revenues, investment earnings in any fund or account held by the authority or trustee, and swap revenues are pledged to secure the bonds, parity obligations, and repayments on reserve facility draws. Category A O&M expenses and required transfers to BATA's parent organization, the Metropolitan Transportation Commission (MTC), are subordinate. Swap termination payments are subordinate to MTC transfers, category A O&M expenses, and any subordinate debt.

Rate Covenant: The authority covenants to establish and collect tolls sufficient to meet O&M and debt service on all outstanding bonds and to increase tolls if: budgeted net revenues divided by the sum of debt service, MTC transfers, category A O&M expenses, and any subordinate obligations for the current fiscal year is less than 1.0x; budgeted net revenues plus the O&M fund balance divided by the sum of debt service and MTC transfers is less than 1.25x; or budgeted net revenues divided by debt service is less than 1.20x.

Debt Service Reserve Fund: As additional security, a debt service reserve fund (DSRF) is required with an amount on deposit equal to the least of: maximum annual debt service (MADS); 125% of the average annual debt service requirement of the bonds; or 10% of the principal amount of the bonds issued. As of this issue, the entire DSRF requirement is met through surety bonds.

Additional Bonds: Additional parity bonds issued for refunding purposes are not subject to a debt

service coverage test. For the issuance of additional new money bonds, audited net revenues in the most recent fiscal year or projected net revenues for each of the next three fiscal years must be at least 150% of MADS. Adopted toll increases and projected net revenues from any additional (new) bridges may be included for purposes of this calculation.

■ Flow of Funds

All revenues paid at the toll plaza are collected by BATA and deposited into the Bay area toll account, which is held by BATA. At the beginning of each fiscal year, the authority is required to transfer to the O&M fund such amounts necessary to meet a 2.0x current-year budgeted category B O&M expenditure balance requirement. The statutes require that category B O&M be paid ahead of debt service. Under the master indenture, at least three days prior to each debt service payment date, the authority is required to transfer to the trustee for deposit in the bond fund the amounts necessary for debt service payment. Deficiencies in the DSRF are to be made up in equal monthly payments over a one-year period after required debt service payments.

Remaining moneys are then to be transferred to the subordinate obligations fund. While BATA reserves the right to establish subordinate lien debt obligations, none currently exist or are planned. Subsequently, surplus revenues are to be deposited in the fees and expenses fund to cover bond-related costs and, finally, returned to the Bay area toll account. The indenture also establishes rebate and redemption funds to be funded and administered per the instructions of the authority.

■ Debt Structure

Prior to the issuance of the series 2006 A-E bonds, BATA had \$1 billion of outstanding toll bridge revenue bonds, 80% of which was synthetically fixed rate. The remaining 20% was split evenly between pure variable rate and fixed rate. With this issuance, the percentage of synthetic fixed-rate debt will climb to 90%, which in Fitch's view is very high. However, there are several mitigating factors.

Within the next six months, BATA plans to issue an additional \$1.25 billion in pure fixed-rate debt to defease the previous SRP debt issued on behalf of the California Department of Transportation (Caltrans). BATA also is expected to issue \$1.0 billion in new money synthetic fixed-rate bonds in each of 2007 and 2008, followed by approximately \$700 million in pure variable-rate bonds in 2010. This will result in

an overall debt portfolio consisting of 63% synthetic fixed-rate bonds, 24% pure fixed-rate bonds, and 13% pure variable-rate bonds.

Additionally, the various interest rate swaps that BATA has entered into are structured such that they mitigate basis risk associated with interest rate swings in either direction. Specifically, BATA will make fixed-rate payments of between 3.63% and 4.0% and will receive variable-rate payments that range from 54% of London Interbank Offered Rate (LIBOR) plus 74 basis points to 75% of LIBOR.

Furthermore, BATA's debt policy requires that swap providers be rated equal to or higher than BATA, that the notional amount of the swap match the par amount over the life of the debt, and that an early termination right only exist for BATA. In addition, BATA's financial plan incorporates basis risk costs of up to \$7 million per fiscal year and reflects the maintenance of cash balances of no less than \$600 million during the life of the bonds. BATA also will have three full-time staff dedicated to monitoring the debt portfolio, including the fair market value of the outstanding swaps.

Fitch believes that the combination of management's proactive stance at problem-solving, a sound debt policy, and adequate in-house staff, in addition to BATA's strong liquidity, provides for sufficient mitigation of the variable interest rate risk, basis risk, and termination risk associated with such a debt mix.

■ Bay Area Toll Authority

BATA's and MTC's members include the counties of Alameda, Contra Costa, Marin, Napa, San Francisco, Santa Clara, San Mateo, Solano, and Sonoma; the Association of Bay Area Governments; and the San Francisco Bay Conservation and Development Commission.

The first bridges across San Francisco Bay, the Dumbarton (opened in 1927 and replaced in 1984) and San Mateo-Hayward (opened in 1929 and replaced in 1967), both of which connect Alameda and San Mateo counties, were originally built by private concerns. The California Toll Bridge Authority acquired these two bridges in 1951. The Bay Bridge, which was opened in 1936 and reconstructed in 1958, was built by the State of California. The Richmond-San Rafael Bridge first opened for traffic in 1956, and a second level was added in 1957. The other three bridges serve traffic

moving north and east from Contra Costa County. The Carquinez (opened in 1927 and twinned in 1958) and Benicia-Martinez (opened in 1962 and widened in 1991) bridges span the Carquinez Strait between Suisun Bay and San Pablo Bay, and the Antioch Bridge (opened in 1926 and replaced in 1978) spans the San Joaquin River.

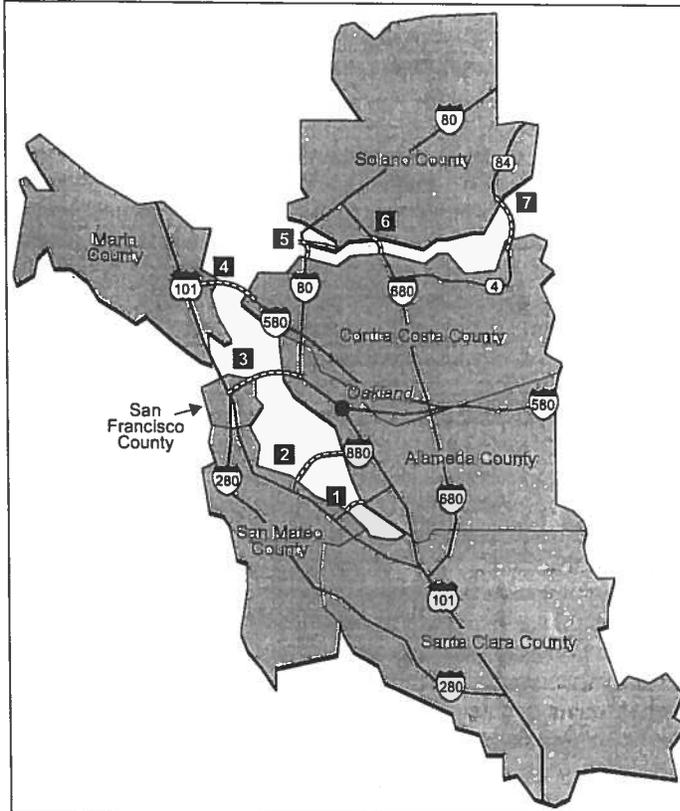
Prior to the enactment of Assembly Bill 144 (AB 144) and Senate Bill 66 (SB 66) in July 2005, the bridge system had three capital programs — the RM1 and Regional Measure Two (RM2) programs and the SRP — each of which were funded from separate \$1.00 tolls collected by BATA, which was solely responsible for funding the RM1 and RM2 programs. Funding for RM1 and RM2 capital costs was through a combination of toll revenues and toll revenue bonds secured by the RM1 and RM2 tolls. Caltrans was responsible for the funding of the SRP through a combination of state funding and the third dollar of the \$3.00 toll.

After significant cost overruns in the SRP in 2001, the state legislature enacted caps on the cost of the program and on the funding derived from state sources and from bond proceeds backed by the \$1.00 toll. In 2004, receipt of only one bid for the signature east span of the SFOBB that was significantly over budget helped put the overall program outside of the legislative caps. Caltrans, MTC, and the state legislature began working on a funding solution, and in July 2005, AB 144 and SB 66 were passed and signed by the governor.

With the enactment of AB 144 and SB 66, BATA was given sole responsibility for the RM1 and RM2 programs and the SRP, including the responsibility to fund any additional cost overruns from toll revenue. The legislation specified that existing overruns would be covered by a \$1.00 increase in the existing seismic toll in January 2007 and through increased state contributions. Overruns in the SRP beyond the current plan can be funded from further toll increases that do not require legislative approval. AB 144 and SB 66 also placed sole responsibility for all O&M and rehabilitation expenses associated with the bridge system with BATA, once the SRP is complete.

In return for these additional responsibilities, AB 144 and SB66 finalized the debate over the final design of the SFOBB's east span, provided \$630 million in additional state resources, and required the California Transportation Commission to develop a schedule detailing the disbursement of state funds to BATA — a

Bay Area Toll Authority



- 1. Dumbarton Bridge
- 2. San Mateo-Hayward Bridge
- 3. San Francisco-Oakland Bay Bridge
- 4. Richmond-San Rafael Bridge
- 5. Carquinez Bridge
- 6. Benicia-Martinez Bridge
- 7. Antioch Bridge

significant development since previous state contributions had been delayed. The legislation also provides BATA with the authority to refund approximately \$1.2 billion in outstanding debt backed by the \$1.00 seismic toll, allowing BATA to consolidate and retain control of all of the toll revenue collected on the bridges and providing significant flexibility in managing the costs of the RM1, RM2, and SRP programs.

BATA operates under a complex legal environment. It was created by SB 226 in 1998; however, the legislation did not legally distinguish it from the MTC. The MTC manages BATA with its own staff resources. The MTC is a regional planning organization also created by legislation, whose mandate is to coordinate regional planning, including transportation. It receives Transportation Development Act funds for its operations and administers federal and state grants on behalf of member counties. MTC has no debt and is not

legally allowed to incur debt; therefore, MTC bankruptcy risk is not a concern.

California statutes dictate that certain portions of various toll increases, dating as far back as 1977, be allocated for transit purposes. While the statutes previously were unclear on the subject, they have been amended to make MTC transfers for certain bridges subordinate to BATA's O&M and senior debt service requirements.

Capital Program

The bridge system's large capital program has three principal components: the RM1 projects; the SRP; and the RM2 projects. The combined cost total for the three programs is currently estimated at \$12.5 billion.

Regional Measure One Projects

In November 1989, Bay area voters approved RM1. This ballot referendum specified nine separate traffic congestion relief projects for the BATA bridges and

Regional Measure One Projects

Program Budget

(\$ Mil., As of Dec. 31, 2005)

	Project Budget
New Benicia-Martinez Bridge	1,263.0
New Carquinez Bridge	528.2
Richmond-San Raphael Bridge	125.7
San Mateo Bridge Widening	211.9
Other Projects	230.9
Total	2,359.7

authorized a standard automobile toll of \$1.00 for BATA toll bridges to assist in the financing of these projects. Principal projects include replacing the Benicia-Martinez Bridge for expanded traffic capacity, the replacement of the older of the two Carquinez bridges, and the widening of the San Mateo-Hayward Bridge.

Costs on the RM1 program are about \$850 million more than the \$1.5 billion initially budgeted in fiscal 2001 due to environmental, design, and site condition issues that have arisen primarily during construction on the new span of the Benicia-Martinez Bridge. Four of the RM1 projects are complete. However, continued cost overruns on the Benicia-Martinez Bridge and the other projects, though likely manageable given the current stages of construction, cannot be ruled out.

Seismic Retrofit Program

Concurrent with the RM1 and RM2 programs, BATA is also funding and overseeing the \$8.7 billion SRP for five of its seven bridges. The program is designed to exceed California seismic standards, which are the highest in the nation, and to allow each of the bridges to withstand the strongest earthquake experienced in the past 1,000 years. Some bridges are being retrofit to a "no collapse" status, while life-line bridges such as the SFOBB are being retrofit to a "minimal damage" level.

The retrofit at four of the five bridges is complete. However, the largest individual component of the program, the replacement of the eastern span of the SFOBB, is not expected to be complete until 2013, six years after its initial completion date. Caltrans is currently evaluating the Dumbarton and Antioch bridges to determine if any retrofit is required given the current state of knowledge. These bridges were not originally included in the SRP given their more modern design features and Caltrans knowledge at the time of program inception.

Seismic Retrofit Program Budget

(\$ Mil., As of Dec. 31, 2005)

	Project Budget
SFOBB SAS/East Foundation	2,399.0
SFOBB Skyway	1,490.0
SFOBB West Approach	429.0
SFOBB Other	1,597.6
Richmond-San Rafael Bridge	825.0
Other Retrofits	925.4
Program Contingency	989.0
Total	8,655.0

SFOBB – San Francisco-Oakland Bay Bridge.

SAS – Self-anchored suspension span.

The SRP was budgeted initially at \$2.6 billion and was being financed by a separate \$1.00 seismic retrofit surcharge implemented on system bridges in 1998. Following the identification of a further \$2.0 billion in cost increases in early 2001, the state legislature enacted AB 1171 in fall 2001, which extended the collection of the \$1.00 surcharge beyond the Jan. 1, 2008 sunset date to expand the funding and allowed for the issuance of toll revenue bonds. The state also agreed to provide \$1.2 billion in funding to the SRP over time.

The total cost of the program was increased to \$8.7 billion in 2004 after only one bid was received for the construction of the east span of the SFOBB and came in significantly higher than expected, including a \$900 million program cost contingency. AB 144 provided BATA with the authority to raise the seismic toll by \$1.00 no earlier than Jan. 1, 2007 to cover the cost increases. The MTC board has already held required public meetings and approved the \$1.00 toll increase.

The SFOBB represents a large portion of revenues after O&M expenditures and MTC transfers, the bulk of which is tied to the SFOBB; however, its share of net revenue available for debt service is a smaller portion relative to the rest of the system, reducing the system's overall reliance on the bridge's revenues to pay debt service and its exposure to added seismic risk given the delay in the project's completion.

Regional Measure Two Projects

On March 2, 2004, voters passed RM2, raising the toll on the seven state-owned toll bridges in the Bay area by \$1.00, beginning on July 1, 2004. This extra \$1.00 is designated to fund various transportation projects within the region that have been determined to reduce congestion or to make improvements to travel in the toll bridge corridors. The 36 capital projects listed in RM2 are expected to

Regional Measure Two Projects

Program Budget

(\$ Mil., As of July 1, 2004)

	Project Budget
BART Tube Seismic Retrofit	143
Dumbarton Rail	135
Transbay Terminal	150
Interstate 80/680 Improvements	100
eBART Extension	96
BART-Warm Springs Extension	95
Interstate 580 Corridor	65
Caldecott Tunnel (Fourth Bore)	51
Ferry Programs	197
Bus Programs	157
Other Projects	311
Total	1,500

BART – Bay Area Rapid Transit

cost \$1.5 billion and range from studies to transit vehicle procurement to freeway improvements.

In addition to capital investments, the Regional Traffic Relief Plan dedicates up to 38% of total annual RM2 funds to providing operating funds for commuter rail, express and enhanced bus, and ferry service. A key difference between RM2 and the SRP and RM1 program is that BATA's share of project costs is fixed (by project) at the \$1.5 billion total. BATA's planned debt issuance over the next six to eight years includes additional parity debt to fund these projects on parity with its outstanding debt.

■ Traffic and Tolls

The base passenger automobile toll on the system's seven bridges now stands at \$3 and consists of \$1.00 each to fund the SRP and the RM1 and RM2 projects. The toll rate will increase to \$4.00 on Jan. 1, 2007, and BATA maintains the legal authority to raise the toll further to meet additional SRP cost overruns. The toll on the region's only comparable facility, the separately administered GGB, currently is \$5.00.

For fiscal 2005, toll paying traffic on the system was down 3.7%. BATA attributes this decline – the first since the SFOBB was closed for a month due to the 1989 earthquake – to malfunctions in the electronic toll collection (ETC) system. ETC transactions currently make up approximately 38% of total revenue. To address the malfunctions, BATA has entered into a new contract with Affiliated Computer Services, which also provides similar ETC services to the GGB. However, a portion of the decline may be a result of the RM2 toll increase, which raised the toll by 50% at the beginning of fiscal 2005.

For the first quarter of fiscal 2006, traffic is down 0.9% from the level for the same period in fiscal 2005. The decline is attributable in large part to SRP work on the west approach of the SFOBB. Through fiscal 2005, traffic on the system has experienced moderate but steady growth, averaging just less than 1% annually since 1995. Traffic increased in each of fiscal years 2001–2004 despite the regional economic downturn in 2000 and slow recovery. This relatively low elasticity of demand reflects the monopolistic nature of these crossings and their importance to the Bay area.

■ Financial Performance and Forecast

Along with the debt-free transfer of the system to BATA in fiscal 1998 came a healthy balance sheet and tremendous income potential, sufficient to pay for operating costs, capital investment needs, and MTC transfers. BATA's tremendous liquidity, with a balance of \$480 million as of June 30, 2005, is a significant mitigant to the risk associated with seismic activity.

Coverage of debt service associated with the RM1 and RM2 projects net of operating expenses and MTC transfers was 2.23x in fiscal 2005. With categories A and B O&M expenses assumed to grow at rates slightly above those assumed by BATA and the layering-in of approximately \$4 billion in additional parity debt over the next four years, that ratio drops to just less than 1.70x by fiscal 2012. Management currently plans to maintain \$600 million in liquidity over the life of the bonds, which could mitigate this risk to some degree.

The BATA financial forecast is somewhat conservative in that it assumes overall traffic growth on the system of 0.33% (0.0% for the SFOBB and 0.5% for the other six bridges), as compared with average annual revenue growth of about 0.67% since fiscal 1995. This is offset to some degree by more liberal assumptions for categories A and B O&M expenses, increasing approximately 4% annually through fiscal 2010 and 3% thereafter. Rehabilitation expenses are assumed to grow at the same rate as traffic. Historical O&M expenses, which reflect the addition of new requirements in some fiscal years, have grown at an average annual rate of 12% from fiscal years 2000–2005.

While much of the SRP and the RM1 program are at or nearing completion, a fair amount of continued construction risk remains especially in relation to the east span of the SFOBB. Contract bids for the

Financial Summary

(\$000, Fiscal Years Ended June 30)

	1999	2000	2001	2002	2003	2004	2005
Balance Sheet							
Unrestricted Cash and Investments	267,303	263,605	808,019	635,624	717,537	425,187	479,752
Restricted Cash and Investments	320,457	405,837	125,000	125,000	130,000	175,000	209,402
Receivables	76,761	6,100	45,093	28,156	28,627	21,225	10,212
Current Liabilities	3,349	29,063	15,596	12,181	36,056	95,306	94,522
Net Working Capital	340,715	240,642	837,516	651,599	710,108	351,105	395,442
Long-Term Debt (CTC Revenue Bonds)	0	0	0	0	0	0	0
Long-Term Debt (BATA Revenue Bonds)	0	0	401,413	401,329	701,245	701,161	1,001,077
Total Long-Term Debt Outstanding	0	0	401,413	401,329	701,245	701,161	1,001,077
Operating Statement							
Toll Revenue	136,089	139,914	142,311	142,337	144,200	145,176	248,141
Credit Fees and Other	709	821	1,407	1,893	1,905	1,922	2,430
Total Operating Revenues	136,798	140,735	143,718	144,230	146,105	147,098	250,571
Investment Income	31,789	36,684	41,390	45,134	25,434	11,007	21,235
Gross Income	168,587	177,419	185,108	189,364	171,539	158,105	271,806
Total Operating Expenses	31,454	33,981	35,166	32,329	38,694	47,851	60,853
Net Revenues	137,133	143,438	149,942	157,035	132,845	110,254	210,953
Principal Payments	0	0	0	0	0	0	0
Interest Payments	0	0	1,327	13,358	20,441	26,663	35,374
Renewal and Rehabilitation	0	0	11,380	20,221	23,109	11,201	10,997
Non-Operating Revenues/(Expenses)							
Transfers to Metropolitan Transportation Commission	(24,529)	(22,101)	(25,281)	(25,249)	(24,892)	(25,163)	(32,859)
Other	600	(3,809)	545	(296)	(2,204)	(3,499)	(15,434)
Total Non-Operating Revenues/(Expenses)	(23,929)	(25,910)	(24,736)	(25,545)	(27,096)	(28,662)	(48,293)
Net Income/(Loss)	113,204	117,528	112,499	97,911	62,199	43,728	116,289
Depreciation	2	2	19	105	143	177	337
Financial Statistics							
As % of Gross Income:							
Operating Expenses	18.7	19.2	19.0	17.1	22.6	30.3	22.4
Debt Service	0.0	0.0	0.7	7.1	11.9	16.9	13.0
Investment Income	18.9	20.7	22.4	23.8	14.8	7.0	7.8
Net Working Capital	202.1	135.6	452.4	344.1	414.0	222.1	145.5
Operating Ratio (%)	23.0	24.1	24.5	22.4	26.5	32.5	24.3
Debt Service Coverage (x)	0	0	113	12	6	4	6
Lane Miles	166	166	166	166	166	166	166
Per Lane Mile Statistics:							
Operating Revenues	826	849	867	870	882	888	1,512
Operating Expenses	190	205	212	195	234	289	367
Debt Service	0	0	8	81	123	161	213
Long-Term Debt	0	0	2,423	2,422	4,232	4,232	6,042
Financial Margin	636	644	647	595	525	438	931

CTC – California Transportation Commission. BATA – Bay Area Toll Authority.

self-anchored suspension portion of the bridge are due to be received in late March 2006, and significant increases cannot be ruled out. In addition, the finance plan relies in part on a \$1.3 billion securitization of state funds for cash flow. If the securitization does not materialize, BATA may need to issue additional toll revenue bonds — either on parity with the existing debt or on a subordinate lien basis.

Without the securitization, any receipt of state funds would be available for SRP costs in net revenues. However, lower coverage cannot be ruled out given that the timing of the state commitment is not a legal obligation. In spite of these uncertainties, the economic

wherewithal of the bridge system can likely support the added costs, if appropriately structured.

■ Service Area

Fitch views BATA's service area as a credit strength. The core of the area is the Bay area, a diverse region that is recovering from a severe downturn following a strong growth period. The service area includes the regional economic centers of San Francisco and Oakland, as well as other prospering cities, and features above-average residential wealth levels. Major economic sectors include banking and finance, business and professional services, high technology, education, and tourism. The area's unemployment rates are

declining from high levels that peaked rapidly as the economic climate changed. San Francisco is home to the 12th District Federal Reserve Bank, and the three-county area includes several large corporate headquarters.

According to the most recent U.S. Census data, the nine counties in BATA's service area had a combined 2004 estimated population of 6.8 million, up 0.7% since 2000. Santa Clara, Alameda and Contra Costa counties comprise nearly two thirds of the total population at 25%, 21%, and 15%, respectively. Napa and Contra Costa counties were the fastest growing, with the population rising 6.2% and 5.8%, respectively since 2000. San Francisco County, which made up 10.8% of total population in 2004 saw a 4.0% decrease in the same period.

Employment data for BATA's service area are measured best through activity in the San Francisco-Oakland-Fremont metropolitan statistical area (MSA), and the Napa MSA. The San Francisco MSA is recovering from job losses that began in 2001, while the Napa MSA saw job losses start in 2002 and rebound in 2004. According to the most recent employment data from the U.S. Bureau of Labor Statistics, preliminary December 2005 employment in the San Francisco MSA is up 1.59% over the level for December 2004, while Napa

employment is up 1.98% for the same period. Unemployment as of November 2005 for the San Francisco MSA was 4.6%, the lowest since the downturn in 2001, as is Napa MSA's November 2005 unemployment rate of 4.3%.

According to the most recent state data, the service area's employment is dominated by services, trade, and government, with these sectors providing 47%, 17%, and 14%, respectively, of all jobs in the BATA counties. The services sector is well distributed primarily among financial and business, health, leisure and tourism, and education. The employment base reflects the area's role as an economic center, as well as the presence of two large universities and its substantial tourism draw.

Major employers in BATA counties consist primarily of public entities, public and private universities, utilities, and major U.S. corporations. The City and County of San Francisco leads the top employers (28,220 employees), followed by Kaiser Permanente (25,070), the University of California at Berkeley (20,649), Cisco Systems, Inc. (20,000), and the University of California-San Francisco (19,138). Other major employers include Stanford University (10,686), United Airlines (10,328), and SBC Communications (9,849).

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